ENERGY POLICY ACT OF 2005

Introduction

In 1973, America imported 30 percent of its crude oil needs. Today, that number has doubled to more than 60 percent. The Energy Policy Act of 2005 contains a balanced package of production and conservation measures that will help America reduce its dependence on unstable foreign oil while meeting its energy needs well into the 21st century.

The Energy Policy Act of 2005 encourages more domestic production of oil with incentives such as a streamlined permit process; promote a greater refining capacity to bring more oil to market; and increases the gasoline supply by stopping the proliferation of expensive regional boutique fuels. To scale back demand for oil, the proposal encourages vehicles powered by hydrogen fuel cells and increases funding for Department of Transportation work to improve fuel-efficiency standards.

This legislation was the result of six years of work to develop a national comprehensive energy policy. While it won't lower prices overnight, it will put us on a path to produce more oil here at home and foster greater conservation and efficiency – boosting supply and lowering demand.

The Energy Policy Act of 2005:

- **Strengthens current supply**
  - ✓ Allows new domestic oil and gas exploration and development.
  - ✓ Removal of the 2 percent oxygenate standard provides refiners the flexibility in producing supply.
  - ✓ Requires the Department of Interior to inventory oil and gas resources on the Outer Continental Shelf to enable the federal government to better assess the extent of these resources.
  - ✓ Expedites commercial leasing to access the more than 2 trillion barrels of oil in oil shale deposits scattered across the nation.
  - ✓ Encourages building new refineries and expanding existing refineries.
  - ✓ Authorizes expansion of the Strategic Petroleum Reserve's capacity to 1 billion barrels.
  - ✓ Includes $2.9 billion for fossil energy research to ensure more efficient exploration and development of oil, gas and coal, while decreasing the environmental impact of fossil energy production and use.

- **Increases conservation**
  - ✓ Increases funding to $17.5 million over five years for the Department of Transportation to continue its work on improving Corporate Average Fuel Economy (CAFE) standards, which set fuel emission standards for cars and light trucks sold in the United States.
  - ✓ Increases funding for the Department of Energy's "Clean Cities" program, which provides grants to state and local governments to acquire alternative fueled and fuel cell vehicles, hybrids and ultra low-sulfur diesel vehicles.
  - ✓ Includes a study, to be done by the National Highway Traffic Safety Administration (NHTSA), to look into alternatives to the CAFE program and examine the amount of fuel consumed by automobiles.
  - ✓ Provides tax credits for the purchase of hybrid, fuel cell, advanced lean burn diesel and other alternative power vehicles. The size of the credit varies depending on the weight class of the vehicle and the rated fuel economy.
  - ✓ Provides a 30 percent credit (up to $30,000) for investments in alternative fuel refueling stations. Qualifying fuels include E-85, natural gas, hydrogen and biodiesel, among others. The credit expires after Dec. 31, 2007.
  - ✓ Expands the small ethanol producer credit to producers with annual production capacity of 60 million gallons (up from 30 million gallons under current law). In addition, creates an equivalent credit for producers of agri-biodiesel through Dec. 31, 2008.

- ✓ Extends the income and excise tax credits for biodiesel through Dec. 31, 2008. Allows "renewable diesel" to claim similar income and excise tax credits at the $1.00 rate applicable to agri-biodiesel.

- **Embraces new fuel choices**
  - ✓ Authorizes $3.7 billion for a hydrogen fuel-cell program with a goal of launching hydrogen fuel-cell cars on the road by the year 2020. Hydrogen energy can be produced from nearly any energy source, is virtually emission-free and has the potential to be a nearly limitless fuel for America.
  - ✓ Requires 7.5 billion gallons of renewable fuel to be included in all gasoline sold in the United States by 2015. This will reduce crude oil imports by more than 2 billion barrels.
  - ✓ Allows production of renewable fuel from such traditional sources as corn and other crops or from plants, grasses, agricultural residues and waste products. The bill includes incentives for the production of renewable fuel from these "non-traditional" sources, allowing greater credits for ethanol derived from cellulosic biomass or waste.
  - ✓ Includes $3 billion dedicated to developing affordable, efficient renewable energy technologies and promoting their widespread use.
  - ✓ Requires "dual-fueled" vehicles acquired under the Energy Policy Act of 1992 to be operated on alternative fuels, includes certain low-speed electric vehicles in the Energy Policy Act of 1992, provides additional credits for medium and heavy duty alternative fuel vehicles, and increases incentives for the purchase and use hybrid vehicles and for investment in alternative fuel infrastructure. Also provides an alternative compliance mechanism based on petroleum displacement and includes new provisions on lease condensates.
  - ✓ Promotes clean and renewable fuels, by providing incentives for clean coal technology and renewable energies such as biomass, wind, solar and hydroelectricity.
  - ✓ Extends the renewable electricity production credit through Dec. 31, 2007 for the following qualified facilities: wind, closed-loop biomass, open-loop biomass, geothermal, small irrigation power, landfill gas and trash combustion.
  - ✓ Authorizes the issuance of $800 million of tax-credit bonds before Dec. 31, 2007 to support renewable investment by municipal power authorities, rural cooperatives and others.